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In The

Supreme Court of the United States

October Term, 1994

BALDUCCI PUBLICATIONS, RICHARD BALDUCCI, KATHLEEN BALDUCCI,

Petitioners,

vs.

ANHEUSER-BUSCH, INC.,

Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Should the content of an editorial commentary in a magazine containing an advertising parody of a public-figure corporation which publicizes and advertises itself heavily, when that parody uses caricatures of trademarks, be subject to regulation under state and federal trademark laws?

2. Is the noncommercial use of caricatures of trademarks in a magazine editorial containing an advertising parody protected fair use under state and federal trademark laws and the First Amendment?

3. Does the clearly erroneous or heightened level of review in cases implicating First Amendment values apply to a district court's factual findings that a humorous editorial parody of a public figure corporation using caricatures of trademarks does not constitute a violation of federal and state trademark laws?

4. Does an injunction prohibiting future noncommercial publication of editorials and parodies containing caricatures of trademarks or allegedly false descriptions of commercial products violate the First Amendment's mandate against prior restraints on speech?

LIST OF PARTIES TO PROCEEDING

Anheuser-Busch, Inc. filed this action against Balducci Publications, Richard Balducci and Kathleen Balducci.

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The District Court's decision in favor of petitioners against Respondent's trademark law claims is reported as *Anheuser-Busch, Inc. v. Balducci Publications,* 814 F. Supp. 791 (E.D. Mo. 1993). The appellate court reversal is reported as *Anheuser-Busch, Inc. v. Balducci Publications,* 28 F.3d 769 (8th Cir. 1994).

STATEMENT OF JURISDICTION

The Eighth Circuit entered judgment reversing the District Court on June 30, 1994. Rehearing was denied by the Eighth Circuit on August 24, 1994. This Court has jurisdiction to consider the petition for writ of certiorari pursuant to 28 U.S.C. §§ 1254 and 2101, and Supreme Court Rules 10, 12 and 13.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

U.S. Const. Amend. 1 (freedoms of speech and press); 15 U.S.C. § 1115(b)(4) ("fair use" defense to trademark law claims); 15 U.S.C. §§ 1114 and 1125, and R.S. Mo. §§ 417.056 and 417.061 (basis for Respondent's claims). These provisions are set out verbatim in Appendix IV.

STATEMENT OF THE CASE

Petitioners publish the self-styled "humor magazine of St. Louis", *Snicker,* a tabloid-sized magazine. On the back page of their issue No. 5 1/2, appeared an "ad parody" as found by the District Court to be in an "editorial context." *Anheuser-Busch, Inc. v. Balducci Publications,* 814 F. Supp. 791, 793, 797 (E.D. Mo. 1993). This editorial parody of advertising contained visual images of a fictional "product" called "Michelob Oily" in a sixpack of bottles; a mug of "Michelob Oily" covered in **an artist's rendition** of oil; an "A and Eagle" symbol used by

Respondent atop **Shell Oil's logo** (instead of Respondent's five-pointed star) covered in oil with the eagle exclaiming "Yuck!"; and a crumpled "Michelob Dry" can with the label partially obscured and a protruding oil spigot from which pours an artist's rendition of an oily fish. Thus Petitioners used numerous caricatures of respondent Anheuser-Busch's trademarks.

The ad parody editorial also contained text distinguishing its true source and environmental-comment purpose: "Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life)." It also proclaimed: "One Taste and You'll Drink it Oily" and "At the rate it's being dumped into our oceans, lakes and rivers, you'll drink it **oily sooner** or later, anyway." That *Snicker* issue was distributed in the Spring of 1989. A reduced copy of the entire back page and a full size copy of the editorial disclaimer are reproduced at 28 F.3d 780-81. *See also*, Appendix I, at 19a-20a. The remainder of the *Snicker* issue was devoted to other editorials on matters of public concern, also presented in a humorous format, and straight humor pieces. The front page and inside cover clearly identified the publishers of the magazine to be Balducci Publications. Nowhere was Anheuser-Busch mentioned.

The historical context of the *Snicker* ad parody editorial is important. Around Christmas 1988 a Shell Oil Company pipeline burst and spilled environmentally destructive quantities of oil into the Gasconade River in central Missouri. The Gascondade River flows into the Missouri River which eventually ends at the Mississippi River just north of St. Louis. Respondent Anheuser-Busch takes water from a Mississippi River filtration plant for its St. Louis brewery at its world corporate headquarters.

In response to the oil spill, Anheuser-Busch publicly

announced that it was temporarily closing the St. Louis brewery for a few days to avoid the possibility of oil in its beer, in Respondent's words. At the time of the oil spill, Anheuser-Busch had recently introduced and heavily marketed a "new" beer called "Michelob Dry." Respondent owns and operates breweries throughout the United States, owns the St. Louis Cardinals baseball club, and advertises extensively on television, radio and in the print media. It dominates the political life of St. Louis, if not all Missouri, with its overwhelming industrial, financial and mass communications presence.

Following the oil spill and Anheuser-Busch's closing of its brewery, Petitioners published their sixth issue, with the ad parody editorial on the back page. After trying to force Petitioners to withdraw the *Snicker* issue from distribution (most *Snicker* copies were free of charge at that time), Anheuser-Busch filed suit in the United States District Court for the Eastern District of Missouri. Against the *Snicker* editorial parody Anheuser-Busch pleaded claims of trademark infringement under the Lanham Act, 15 U.S.C. §§ 1114 and 1125, and dilution under Missouri Law, R.S. Mo. §§ 417.056 and 417.061, invoking supplemental jurisdiction, 28 U.S.C. § 1367.

Petitioners responded to Anheuser-Busch's trademark law claims by asserting that their editorial was absolutely protected speech under the First Amendment, and that Anheuser-Busch was, in reality, artfully pleading a defamation claim which it could not make under the *New York Times v. Sullivan,* 376 U.S. 254 (1964), standard.

Petitioner Richard Balducci, the chief creator of the piece, testified at trial that the purposes of the *Snicker* ad parody editorial were to make (a) an editorial commentary on the effects of environmental pollution, including a specific reference to the then-recent Shell Oil spill into the Gasconade and Mississippi

River system; (b) an editorial commentary on the public stance taken by Anheuser-Busch in response to the oil spill, namely closing its St. Louis, Missouri brewery as soon as its tasters detected oil; and (c) an editorial commentary on and parody of the proliferation of Anheuser-Busch beer brands and Respondent's slickly-produced advertisements for those beers (T. 344-45, 360- 62, 406, 509-10) (references to the trial transcript). Petitioners have never advertised or marketed any product for sale bearing the term "Michelob Oily" or making any other reference to this ad parody.

Respondent's Michelob beer group brand director admitted that he had not received evidence that even one consumer believed there was oil in Anheuser-Busch's beers or was less likely to purchase its beers because of the ad parody editorial (Appellant's App. 624, 634) (reference to the appendix in the appeals court). No product has been withdrawn by respondent and it has not changed its marketing strategy because of the *Snicker* piece (*id.* at 629-31). Anheuser-Busch's Michelob group brand director even admitted the supposed damage to plaintiff from the *Snicker* piece could be "nothing" (*id.* at 628-29). One of Respondent's own attorneys stipulated in the District Court that his client had suffered "basically no damage" (Appellees' Appendix at p. 11) (reference to the appendix in the appeals court). The principal evidence produced at trial by Anheuser-Busch was a "consumer survey" it commissioned to be conducted at St. Louis area shopping malls. Two hundred beer drinkers were selected by Respondent's "experts" and questioned about the *Snicker* piece. Many ambiguous prose responses to questions were interpreted by Anheuser-Busch's market research expert allegedly to show possible consumer confusion on the source of the *Snicker* piece. After a three-day bench trial the District Court ruled that, in light of First Amendment protections, Anheuser-Busch's trademark law claims were unsupported by the evidence. 814 F. Supp. at 796-99.

Anheuser-Busch appealed to the Eighth Circuit pursuant to 28 U.S.C. § 1291 and Fed. R. App. Proc. 3 and 4. The reviewing Panel reversed the District Court's decision. *Anheuser-Busch, Inc. v. Balducci Publications,* 28 F.3d 769 (1994). Despite obvious First Amendment issues, the opinion did not apply the strict scrutiny standard to this attempted regulation of Petitioners' non-commercial speech, but rather ruled that it would apply "an expansive interpretation of [the] likelihood of confusion" test under trademark laws. *Id.* at 774.

This ruling conflicts with the approach of other Circuits. The Eighth Circuit did not apply the clearly erroneous standard of review to the District Court's factual finding of no likelihood of confusion under the state and federal trademark laws. Moreover, it did not apply to the District Court's factual findings the heightened standard of review designed to insulate from regulation protected speech.

The Eighth Circuit's decision regulates the content of Petitioners' editorial message and authorizes the District Court to grant Anheuser-Busch's request for injunctive relief against Petitioners' publication, an unconstitutional prior restraint on speech. This opinion, in sum, makes beer-drinker participants in a shopping mall survey the arbiters of the First Amendment rights of editorial cartoonists who employ trademark parody as a vehicle to express commentary on public figures or on issues of concern to citizens.

Finally, the Eighth Circuit's ruling conflicts with this Court's First Amendment jurisprudence. It stands alone in conflict with the decisions of other circuits which have rejected claims of trademark infringement in light of the protections the First Amendment provides to editorials about and parodies of trademarks.

Petitioners timely moved for rehearing by the Panel and *en banc*. A divided court refused to rehear the case on August 24, 1994. Chief Judge Arnold and Judges Wollman and Morris Sheppard Arnold voted for rehearing. Appendix III, at 40a.

REASONS FOR GRANTING THE WRIT

I.

THE EIGHTH CIRCUIT OPINION SHARPLY CONFLICTS WITH DECISIONS OF OTHER CIRCUITS THAT GUARANTEE FIRST AMENDMENT PROTECTION TO EDITORIAL PARODIES.

The Eighth Circuit's decision starkly conflicts with opinions from numerous circuit and district courts on the protections against federal and state trademark law claims afforded to editorial commentaries and parodies. Analytically it is perhaps clearer to categorize the decisions in other circuits as follows.

A. Noncommercial Parody of Trademark in Publications

The First Circuit reversed summary judgment on trademark infringement and dilution claims against an "editorial or artistic parody" of plaintiff's catalogue in a two-page "article" in defendant's adult erotic entertainment magazine. In *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 31 (1st Cir. 1987), *cert. denied*, 483 U.S. 1013, the Court stated: "[i]t offends the Constitution, however, to invoke the anti-dilution statute as a basis for enjoining the noncommercial use of a trademark by a defendant engaged in a protected form of expression."

The **Ninth Circuit** held that a newspaper's use of plaintiff's trademarked musical group name in a survey and article to be a

"fair use" not subject to liability under the Lanham Act. *New Kids on The Block v. New American Publishers, Inc.*, 971 F.2d 302 (9th Cir. 1992).

The **Tenth Circuit** noted "the tension between the First Amendment and trademark rights is most acute when a noncommercial parody is alleged to have caused tarnishment, a situation in which First Amendment protection is greatest." *Jordache Ent. Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1490 n.7 (10th Cir. 1987), holding a parody of a jean manufacturer's logo not to infringe even though defendant sold jeans with the trademark parody on the product.

Even the **Eighth Circuit** had previously indicated some recognition that a trademark parody expressing a "view" in a book, magazine or film was "not restricted in any manner whatsoever." It stated its limits on an injunction which prohibited only marketing of products or services with a trademark parody. *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 402-03 and n.8 (8th Cir. 1987), *cert. denied*, 488 U.S. 933. Judge Heaney's dissent in *Novak* properly noted that "the majority opinion cannot be squared with the First Amendment" prohibition on prior restraint. *Id.* at 405.

B. Commercial Parody of Trademark In Publications

The Second Circuit overruled state and federal trademark claims against that defendant's parody, "Spy Notes", of plaintiff's trademarked "Cliff Notes." Citing First Amendment protections for "artistic parody" the court held that the trademark laws must be construed "narrowly" to avoid conflicts with First Amendment rights. *Cliff's Notes, Inc. v. Bantam Doubleday*, 886 F.2d 490, 494 (2d Cir. 1989). *See also, Yankee Publishing v. News America Publishing*, 809 F.Supp. 267 (S.D.N.Y. 1992) (in light of First Amendment protections, that court rejected trademark law

claims against a satirical parody of the Old Farmer's Almanac cover) (*cited in Campbell v. Acuff-Rose Music,* 114 S. Ct. 1164, 1173 (1994)); and *Girl Scouts v. Bantam Doubleday,* 808 F. Supp. 1112 (S.D.N.Y. 1992), *aff'd,* 996 F.2d 1477 (2d Cir. 1993).

The **Ninth Circuit** reversed judgment in favor of trademark owner Disney on an infringement claim against a parody in an "adult 'counterculture' comic book" of a Disney movie that portrayed Disney characters as other than pure and wholesome. *Walt Disney Prod. v. Air Pirates,* 581 F.2d 751 (9th Cir. 1978).

C. Trademark Parody in Marketing of Commercial Product

The Fourth Circuit upheld a jury verdict for the seller of beach towels that used Anheuser-Busch's Budweiser can design and slogan, against Anheuser-Busch's infringement claim. *Anheuser- Busch, Inc. v. L&L Wings,* 962 F.2d 316 (4th Cir. 1992), *cert. denied,* 113 S. Ct. 206.

The **Seventh Circuit** reversed summary judgment in favor of a trademark owner, in light of First Amendment protections of parody, suing for infringement against a "commercial exploitation" of Nike's slogan, name and logo in t-shirt sales by defendant. *Nike, Inc. v. Just Did It Enterprises,* 6 F.3d 1225 (7th Cir. 1993).

The **Court of Customs and Patent Appeals** ruled against an opposition by Volkswagen to Defendant's application for a trademark that was a "customized" or "caricature" of Volkswagen's "Beetle" car. *Volkswagenwerk Aktiengesellschaft v. Rose'vear Ent.,* 592 F.2d 1180 (Cust. Ct. 1979).

In the **Sixth Circuit,** a district court denied Anheuser-Busch's motion for preliminary injunction against the use of a verbatim quote of Anheuser-Busch's slogan in the sale of roses by

a florist. *Anheuser-Busch, Inc. v. Florists Ass'n of Cleveland,* 603 F. Supp. 35 (N.D. Ohio 1984).

Quite simply, there is no principled way to reconcile the Eighth Circuit's decision in this case with any of the well-reasoned opinions by the courts mentioned above. Certiorari is necessary to protect Petitioners' First Amendment rights and to delineate the limited application of trademark laws to commercial uses of marks.

After this decision, when potential trademark users sit down to examine the case law, they will suffer major confusion. They may ask, "How can a non-commercial parody of Anheuser-Busch's trademarks in an editorial violate state and federal trademark laws when other courts have found that commercial parodies of Anheuser-Busch's trademarks to sell products in the marketplace are not a violation?" We refer the Court specifically to the decisions in *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316 (4th Cir. 1992), *cert. denied,* 113 S. Ct. 206 (1993) and *Anheuser-Busch v. Florists Association of Greater Cleveland,* 603 F. Supp. 35 (N.D. Ohio 1984).

Many commentators opine that the noncommercial use of trademarks in parodies does not constitute actionable infringement or dilution, but rather is protected First Amendment speech. *See* 2 J. McCarthy, *Trademarks and Unfair Competition,* § 31:38, at p. 670 (2d ed. 1984); Dorsen, "Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs," 65 B.U.L. Rev. 923, 949-52 (1985); Denicolar, "Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols," 1982 Wis. L. Rev. 158, 190-206 (1982); Note, "Trademark Parody: A Fair Use and First Amendment Analysis," 72 Va. L. Rev. 1079, 1107-17(1986).

II.

THE EIGHTH CIRCUIT FAILED TO APPLY THE STRICT SCRUTINY STANDARD OF REVIEW TO REGULATIONS OF NON-COMMERCIAL SPEECH AND REGULATED THE CONTENT OF PETITIONERS' EDITORIAL MESSAGE.

The Circuit's analytical framework was to decide first whether the District Court erred in finding no likelihood of confusion under the state and federal trademark laws. The Panel stated that it was applying "an expansive interpretation of [the] likelihood of confusion" test under the trademark laws. Appendix I, at 7a. No reported case has ever applied such a broad interpretation of the trademark laws in a non-commercial use of trademarks. This singular approach amounts to regulating the content of a publisher's editorial message, a regulation otherwise clearly prohibited under the First Amendment. *Forsyth County v. Nationalist Movement,* 112 S. Ct. 2395, 2404 (1992); *R.A.V. v. St. Paul,* 112 S. Ct. 2538, 2542 (1992); *Burson v. Freeman,* 112 S. Ct. 1846, 1858 (1992) (Kennedy, J., concurring).

Indeed, this decision is contrary to the "strict scrutiny" test for regulations on non-commercial speech, that any such regulation must be "necessary to serve a compelling interest and must be narrowly drawn to achieve that end." *Simon & Schuster, Inc. v. N.Y. Crime Victims Board,* 112 S. Ct. 501, 509 (1991). *See also, Whitney v. California,* 274 U.S. 357, 373 (1927) (Brandeis, J., concurring and joined by Holmes, J.), finding that the right of free speech is a "fundamental right" that may not be denied or abridged unless necessary "to protect the state from destruction or from serious injury, political, economic or moral." Congress and the states have no legitimate interest in regulating the content of noncommercial editorial speech, even if that speech uses unflattering caricatures of trademarks. Government may not favor commercial viewpoints as expressed in trademarks at the

expense of editorial commentary on issues such as the environment or widely publicized public figures such as Anheuser-Busch. *Lamb's Chapel v. Center Moriches School,* 113 S. Ct. 2141, 2147-48 (1993).

The opinion below insidiously undermines our constitutional tradition of vigorously protecting free speech. It also directly conflicts with a Second Circuit decision it cites, *Cliff's Notes v. Bantam Doubleday,* 886 F.2d at 494, which held that "because overextension of Lanham Act restrictions in the area of titles might intrude on First Amendment values, we must construe the act narrowly to avoid such a conflict."

The District Court had properly examined Respondent's trademark claims "with special sensitivity to the purposes of trademark law and the First Amendment rights of the defendant." *Balducci Publications,* 814 F. Supp. at 795-96, and its "confidence in the power of free and fearless reasoning," *Whitney,* 274 U.S. at 377, merits reversal of the Eighth Circuit by the Court.

Petitioners have found no other case, other than the Panel's decision, which has upheld state or federal trademark law actions against the use of a trademark in a book, magazine or newspaper in a non-commercial, editorial context. Indeed, "the expression of editorial opinion on matters of public importance . . . is entitled to the most exacting degree of First Amendment protection." *F.C.C. v. League of Women Voters,* 468 U.S. 364, 375-76 (1984). This Court stated there "we would not hesitate to strike . . . down as violative of the First Amendment" a "ban on editorializing applied to newspapers and magazines." *Id.* at 376. *See also, Miami Herald Publishing Co. v. Tornillo,* 418 U.S. 241, 255 (1974) ("we reaffirm unequivocally the protection afforded to editorial judgment and to the free expression of views on these and other issues, however controversial"). In *Bose Corp v. Consumers Union,* 466 U.S. 485 (1984), the Court found that a

product disparagement claim against a critical review of a product in a magazine was constitutionally protected. Anheuser-Busch's trademark law claims are essentially indistinguishable from that claim in *Bose*.

In finding Petitioners' non-commercial use of caricatures of Anheuser-Busch's trademarks in their editorial parody violated state and federal trademark laws, this opinion "almost completely foreclosed a venerable means of communication that is both unique and important." *City of Ladue v. Gilleo*, 114 S. Ct. 2038, 2045 (1994). Parodies of trademarks and political cartooning by their nature must conjure the original, albeit in a fanciful or critical fashion. *Hustler Magazine v. Falwell*, 485 U.S. 46, 53-55 (1988)[1] and *Cliff's Notes*, 886 F.2d at 495. Thus, Petitioners lacked adequate alternative means by which to express their editorial opinions on Anheuser-Busch and its public involvement in this environmental disaster. *Forsyth County*, 112 S. Ct. at 2401, holding that regulations on speech must, among others, "leave open ample alternatives for communication."

Political cartooning and parodies have existed for literally thousands of years. *Campbell v. Acuff-Rose Music*, 114 S. Ct. at 1172 (upholding a commercial parody in a song of the owner's copyrighted music as fair use under the copyright laws). The danger posed here is the stifling of political cartooning in a nation bred to broad freedoms of speech and the press. That is particularly alarming, as set forth in a recent widely noted commentary. *See* G. Trudeau, "Drawing Dangerously," *The New York Times*, July 10, 1994, at E19.

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1. Like the infliction of emotional distress claim in *Hustler Magazine* and the product disparagement claim in *Bose*, Respondent's trademark law infringement and dilution claims should have been subjected to the standard of proof in *New York Times v. Sullivan*. The lower courts rejected that approach, urged by Petitioners.

III.

THE OPINION FAILED TO APPLY TO THE DISTRICT COURT'S FACT FINDINGS THE CLEARLY ERRONEOUS STANDARD OF REVIEW OR THE MORE RIGOROUS STANDARD WHERE PROTECTED SPEECH IS REGULATED.

This decision resulted from a *de novo* review of the evidence and law, done for the apparent purpose of reversing the District Court's fact findings despite the existence of significant First Amendment issues. Such approach is contrary to the precedents of this Court. At a minimum, the Circuit Court was required to follow the standard of review set out in Fed. R. Civ. P. 52(a). In *Amadeo v. Zant,* 486 U.S. 214, 223 (1988) this Court held that the "clearly erroneous" standard of review for a case tried before a district court "is a deferential one" and "if the district court's account of the evidence is plausible in light of the record reviewed in its entirety, the court of appeals may not reverse it even though convinced that, if it had been sitting as the trier of fact, it would have weighed the evidence differently." Here, the reviewing Panel simply chose not to accept the District Court's fact finding that there was no likelihood of confusion in *Snicker's* use of altered trademarks in the editorial parody context. The District Court heard the witnesses, reviewed the conflicting evidence firsthand in the give and take of trial, and its factual conclusions were clearly supported by the evidence. "We frequently have emphasized that '[w]here there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous.' " *Id.* at 226.

Not only did the Eighth Circuit fail to apply the "clearly erroneous" standard, it also did not employ the correct rule of independent review, *Bose Corp. v. Consumer's Union,* 466 U.S. 485. "[I]n cases raising First Amendment issues we have

repeatedly held that an appellate court has an obligation to 'make an independent examination of the whole record' in order to make sure that the 'the judgment does not constitute a forbidden intrusion on the field of free expression.' " *Id.* at 499, quoting *New York Times v. Sullivan,* 376 U.S. at 254. Here, instead of "ensur[ing] that protected expression will not be inhibited," *Bose* at 505, the appellate court conducted a *de novo* review of the district court's factual finding of no likelihood of confusion. The Eighth Circuit turned this Court's First Amendment jurisprudence on its head to reverse District Judge Hamilton and rule in favor of Anheuser-Busch.

The Court of Appeals acknowledged that the "primary evidence" of alleged consumer confusion was a shopping mall survey involving "301 beer drinkers or purchasers who claimed to periodically review magazines or newspapers." Appendix I, at 4a. Then it found that the survey, bought and paid for Anheuser-Busch, "tilts the analysis in favor of Anheuser-Busch." *Id.* at 9a. (Parenthetically, we note that Anheuser-Busch presented no evidence of actual consumer confusion or complaints by consumers that its beer might contain oil, as a result of this *Snicker* editorial). This decision makes 301 beer drinkers the arbiters of proper editorial opinion, and subjects First Amendment rights to majority rule and a hand-picked "democratic" process, *i.e.,* the shopping mall survey. Long ago this Court ruled that the freedoms of speech and press were placed beyond the reach of majorities or any democratic process. "One's right to . . . free speech, a free press, . . . and other fundamental rights may not be submitted to vote; they depend on the outcome of no elections." *West Virginia State Board of Education v. Barnett,* 319 U.S. 624, 638 (1943). The Court has ruled that "[l]isteners' reaction to speech is not a content-neutral basis for regulation." *Forsyth County,* 112 S. Ct. at 2403. Speech may not be regulated simply because it may offend some or embarrass others. *Hustler Magazine,* 485 U.S. at 55-56.

The Eighth Circuit's acceptance of a commercial survey as a means of regulating non-commercial speech also means that if a publisher cannot finance a countervailing survey (which in this case cost over $10,000), the publisher's First Amendment rights are seriously jeopardized. Recently, in *City of Ladue v. Gilleo,* this Court ruled that a citizen's participation in public debate cannot be made dependent upon his financial capabilities. 114 S. Ct. at 2046-47. *See also, Forsyth County* 112 S. Ct. at 2402, holding that "[s]peech cannot be financially burdened, any more than it can be punished or banned, simply because it might offend a hostile mob."

IV.

THE OPINION IS CONTRARY TO STATUTORY LAW AND SUPREME COURT JURISPRUDENCE WHICH APPLY THE TRADEMARK LAWS ONLY TO COMMERCIAL USES, AND THEREBY REGULATES THE CONTENT OF PETITIONERS' EDITORIAL PARODY OF ADVERTISING.

By its terms the Lanham Act does not prohibit the use of another's trademarks in non-commercial speech. It is thereby consistent with First Amendment mandates. Section 32(a) of the Lanham Act prohibits only the unauthorized "use" of a trademark "in connection with the sale, offering for sale, distribution, or advertising of any goods." 15 U.S.C. § 1114(a). Likewise, § 43 of the Act prohibits unauthorized use of trademarks "in connection with any goods or services." 15 U.S.C. § 1125(a). "The intent of this chapter is to regulate commerce within the control of Congress . . . ." 15 U.S.C. § 1127. " 'A trademark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his.' " *Champion Spark Plug Co. v. Sanders,* 331 U.S. 125, 129 (1947), *quoting Prestonette, Inc. v. Coty,* 264 U.S. 359,

368 (1923) (Holmes, J.). *See also, S.F. Arts & Athletics v. Olympic Committee,* 483 U.S. 522, 566 (1987) (Brennan, J., dissenting) (discussing noncommercial speech and noting that under the Lanham Act "a trademark violation occurs only when an offending trademark is applied to **commercial** goods and services").[2]

The Lanham Act includes a "fair use" type defense, albeit not as explicit as § 107 of the Copyright Act, 17 U.S.C. § 107. Section 33(b)(4) of the Lanham Act permits the use of a trademark "otherwise than as a trade or service mark ... which is descriptive of and used fairly and in good faith only to describe to users goods or services of such party." 15 U.S.C. § 1115(b)(4). *See S.F. Arts,* 483 U.S. at 565 (Brennan, J., dissenting) and *Eli Lilly & Co. v. Revlon, Inc.,* 577 F. Supp. 477, 485-86 (S.D. N.Y. 1983), *citing Abercrombie & Fitch Co. v. Hunting World,* 537 F.2d 4, 12 (2d Cir. 1976). In *Campbell v. Acuff-Rose Music,* this Court recently held that even a **commercial parody** of a copyrighted song could be fair use. 114 S. Ct. at 1179. Clearly, Petitioners' non-commercial use of Anheuser-Busch's trademarks in an editorial ad parody qualified as "fair" use.

This dangerous application of the trademark laws to Petitioners' non-commercial speech amounts to a content-based regulation and violates the First Amendment because it treats Anheuser-Busch's commercial speech (its trademarks) more favorably than Balducci Publications' non-commercial editorial speech. *Gilleo,* 114 S. Ct. at 2043 and *Metromedia, Inc. v. City of San Diego,* 453 U.S. 490, 514 (1981), invalidating an ordinance

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2. The Missouri statutes at issue also seem to apply only to commercial uses of another's trademark. Mo. Rev. Stat. § 417.056 prohibits "use ... in connection with the sale, offering for sale, or advertising of any goods or services." *See Cushman v. Mutton Hollow,* 782 S.W.2d 150, 157 (Mo. App. 1990), " 'The term unfair competition, as used to describe a generic class of commercial activities...'."

that discriminated on the basis of content of speech by broadly prohibiting non-commercial messages. In her concurrence in *Gilleo,* Justice O'Connor summed up the point succinctly: "With rare exceptions, content discrimination in regulations of the speech of private citizens on private property or in a traditional public forum is presumptively impermissible, and this presumption is a very strong one." 114 S. Ct. at 2047.

V.

THE FIRST AMENDMENT PROHIBITS AS AN UNLAWFUL PRIOR RESTRAINT ON SPEECH ANY INJUNCTION AGAINST FUTURE USES OF TRADEMARKS BY PETITIONERS IN AD PARODY EDITORIALS.

The injunctive relief granted to Respondent by the Eighth Circuit against the publishers of *Snicker* seeks to restrain future editorial, parody and satire commentary like that in the back page of their issue No. 5 1/2. Appendix I, at 17a-18a. Beyond question, such relief would constitute a "prior restraint" on protected speech, a hindrance absolutely prohibited by the First Amendment. In the venerable case of *Near v. Minnesota,* 283 U.S. 697, 713 (1931) this Court held that prior restraints on publication by the press are unconstitutional:

> In determining the extent of the constitutional protection, it has been generally, if not universally, considered that it is the chief purpose of the guarantee [of the liberty of the press] to prevent previous restraints upon publication.

This has been the rule throughout the years, *Kunz v. New York,* 340 U.S. 290 (1951), and continues to the present. *City of*

Lakewood v. Plain Dealer Pub. Co., 486 U.S. 750 (1988) (noting that prior restraints on publication by the press are unconstitutional censorship).

Further, in *New York Times Company v. United States*, 403 U.S. 713, 714 (1971) the Court noted that any prior restraint on speech bears a "heavy presumption against its constitutional validity." The Court also held that the proponent of a prior restraint "carries a heavy burden of showing justification for the imposition of such a restraint." *Id.* This burden Anheuser-Busch has not met. *See Nebraska Press Association v. Stuart*, 427 U.S. 539 (1976).

Especially troublesome here is the broad nature of the injunction which Respondent seeks. Anheuser-Busch asked the Court to permanently enjoin Balducci Publications from any "false description" of plaintiff's products and "any other use of Respondent's marks in publishing . . . any documents or material. . .". (Appellant's App. 24). There is no way to create such a remedy absent the gagging of Petitioners' protected speech. Enforcement of such a virtually boundless injunction against free speech and press rights would suffer from gross overbreadth and would subject to the solicitous conjecture of the Eighth Circuit such constitutional rights as may remain to Petitioners. *See New York Times v. United States*, 403 U.S. at 725-26 (Brennan, J., concurring) ("the First Amendment tolerates absolutely no prior judicial restraints of the press predicated upon surmise or conjecture that untoward consequences may result").

Plainly, Respondent's chosen relief is beyond the powers of this Court or any court. The grant of its chosen injunction would violate the constitutional prohibition against prior restraints on free speech and free press rights.

CONCLUSION

For each of these reasons the Petition for Writ of Certiorari should be granted. Reversal of the Eighth Circuit's decision and reinstatement of the ruling of the District Court is the only way the First Amendment rights of editorial publishers and cartoonists can be protected. Furthermore, reversal is necessary to maintain uniformity among Circuits on the limits to non-commercial uses of the trademark laws.

Respectfully submitted,

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APPENDIX I — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT FILED JUNE 30, 1994

United States Court of Appeals
For the Eighth Circuit

No. 93-2196

Anheuser-Busch, Inc.,

Plaintiff-Appellant,

v.

Balducci Publications; Richard Balducci; Kathleen Balducci,

Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Missouri.

Submitted: November 17, 1993

Filed: June 30, 1994

Before MCMILLIAN, Circuit Judge, JOHN R. GIBSON*, Senior Circuit Judge, and BOWMAN, Circuit Judge.

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* The HONORABLE JOHN R. GIBSON was Circuit Judge of the United States Court of Appeals for the Eighth Circuit at the time this case was submitted, and took senior status on January 1, 1994, before the opinion was filed.

Appendix I

JOHN R. GIBSON, Senior Circuit Judge.

Anheuser-Busch, Inc., appeals from the judgment of the district court dismissing its federal and state trademark infringement, trademark dilution, and unfair competition claims against Balducci Publications and its publishers, Richard and Kathleen Balducci, for the use of registered Anheuser-Busch trademarks in a fictitious advertisement for "Michelob Oily." *See* 15 U.S.C. §§ 1114(1), 1125(a) (1988); Mo. Rev. Stat. §§ 417.056, 417.061 (1986). We have carefully reviewed the record before us, and we reverse.

Anheuser-Busch operates a brewery in St. Louis. Its products include the Michelob family of beers: Michelob, Michelob Dry, Michelob Light and Michelob Classic Dark. For use in its marketing of these products, Anheuser-Busch owns several federally-registered trademarks: (1) Michelob; (2) Michelob Dry; (3) A & Eagle Design; (4) Bottle and Label Configuration; (5) Bottle Configuration; (6) Vertical Stripe Design; (7) the phrase "ONE TASTE AND YOU'LL DRINK IT DRY;" and (8) Vertical Stripe and A & Eagle Design. Of these, (1) and (3) are also registered Missouri trademarks.

Balducci Publications is a publishing business owned by Richard and Kathleen Balducci, also defendants in this case. Balducci Publications has published *Snicker*, a humor magazine, since April 1987. The back cover of issue 5-1/2, published in April 1989, contains a mock advertisement for the fictitious product "Michelob Oily." A reduced copy of the advertisement is attached as Appendix A. The advertisement states in bold type, "ONE TASTE AND YOU'LL DRINK IT OILY" immediately above "MICHELOB OILY®." The accompanying graphics include a partially-obscured can of Michelob Dry pouring oil

onto a fish, an oil-soaked rendition of the A & Eagle design (with the eagle exclaiming "Yuck!") below a Shell Oil symbol, and various "Michelob Oily" products bearing a striking resemblance to appellants' Michelob family. This resemblance was quite intentional, as evidenced by the admitted use of actual Anheuser-Busch "clip-art"[1] in replicating several of the protected trademarks. In smaller text the ad opines, "At the rate it's being dumped into our oceans, lakes and rivers, you'll drink it oily sooner or later, anyway." Finally, the following disclaimer is found in extremely small text running vertically along the right side of the page: "Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life)." A full-size reproduction of this part of the ad is contained in Appendix B.

Balducci continues to sell back issues of *Snicker* — including Issue 5-1/2. Advertising for back issues of the magazine has included the words "Michelob Oily" and a blue ribbon design associated with Anheuser-Busch.

Mr. Balducci stated at trial that he used the parody to comment on: (1) the effects of environmental pollution, including a specific reference to the then-recent Shell oil spill in the Gasconade River — a source of Anheuser-Busch's water supply; (2) Anheuser-Busch's subsequent decision to temporarily close its St. Louis brewery; and (3) the proliferation of Anheuser-Busch beer brands and advertisements. The defendants concede they possessed no knowledge that any Anheuser-Busch product actually contained oil.

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1. Clip-art consists of collections of pictures which may be inserted into a new publishing application, such as an advertisement. Anheuser-Busch distributes clip-art to ensure accurate and consistent representation of its marks.

Appendix I

Anheuser-Busch, displeased with Balducci's extensive use of its trademarks and the possible implication that its products were tainted with oil, brought this suit in May 1989. It asserted five causes of action: (1) infringement of federally-registered trademarks, 15 U.S.C. § 1114(1); (2) federal unfair competition, 15 U.S.C. § 1125(a); (3) state trademark infringement, Mo. Rev. Stat. § 417.056; (4) common law unfair competition; and (5) state law trademark dilution, Mo. Rev. Stat. § 417.061. It sought one dollar in nominal damages and injunctive relief.

Other than the Balducci ad itself, the primary evidence offered by Anheuser-Busch was a study designed by Jacob Jacoby, Ph.D., and conducted under the supervision of Leon B. Kaplan, Ph.D. This survey, conducted in St. Louis shopping malls, involved 301 beer drinkers or purchasers who claimed to periodically review magazines or newspapers. The surveyors showed the Balducci ad to 200 participants and a Michelob Dry ad to the remaining 101. Of those viewing the Balducci ad, many expressed an impression of Anheuser-Busch's role in its creation. For example, fifty-eight percent felt the creators "did have to get permission to use the Michelob name." Fifty-six percent believed permission would be required for the various symbols and logos. Six percent of the classified[2] responses construed the Balducci ad to be an actual Anheuser-Busch advertisement. Almost half (45%) found nothing about the parody which suggested it was an editorial, and seventy-five percent did not perceive it as satirical. Virtually none (3.5%) noticed the tiny disclaimer on the side of the ad. Fifty-five percent construed the parody as suggesting that Michelob beer is or was in some way contaminated with oil. As a

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2. The staff at Princeton Research & Data Consulting Center, Inc. classified the answers to open-ended questions. Balducci objects to this classification process generally, but offers no persuasive evidence that any significant number of responses have been erroneously classified.

result, twenty-two percent stated they were less likely to buy Michelob beer in the future.

After a bench trial, the district court ruled in favor of Balducci on each of the five theories. Although the court found that "Defendants clearly used Plaintiff's marks in their ad parody, they used some of those marks without alteration, and they did so without Plaintiff's permission," it dismissed the trademark claims because "Defendants' use of [the] marks did not create a likelihood of confusion in the marketplace." *Balducci*, 814 F. Supp. at 793. In reaching this decision, the court expressed the need to give "special sensitivity" to the First Amendment aspects of the case. *Id.* at 796. Accordingly, the court concluded that although "Plaintiff's statistical evidence [might] well be persuasive in the context of a classic trademark infringement case, ... where the allegedly infringing use occurs in an editorial context," more persuasive evidence of confusion is required. *Id.* at 797. The court similarly dismissed the state law dilution claim, stating that "because Defendant's use of Plaintiff's marks occurred in an editorial context, there is no threat of tarnishment through association with shoddy or disharmonious products." *Id.* at 799. Finally, the court rejected the unfair competition claims because the "parody was not in any way connected with the sale of a product and because Plaintiff has failed to establish a likelihood of confusion in the marketplace." *Id.* at 798.

On appeal, Anheuser-Busch contends the district court gave inordinate weight to Balducci's First Amendment claims and erred in finding no likelihood of confusion. Balducci contends the court correctly found no likelihood of confusion and, furthermore, argues the ad parody is absolutely protected by the First Amendment.

Appendix I

I.

This case involves the tension between the protection afforded by the Lanham Act to trademark owners and the competing First Amendment rights of the parodist. Our analysis of the district court's decision encompasses two related, but distinct steps. We begin by considering whether the district court erred in finding no likelihood of confusion. Since a trademark infringement action requires a likelihood of confusion, this finding, if upheld, decides this case. If we conclude the court erred in finding no likelihood of confusion, we must consider Balducci's additional argument that the First Amendment protects it from liability.

Section 32(1) of the Lanham Act protects owners of registered trademarks from uses "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1). The determination of whether "likelihood of confusion" exists is a factual determination which we review under the clearly erroneous standard. *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 398 (8th Cir. 1987); *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980). However, our review is not so limited when, as here, the district court's "conclusions are inextricably bound up in its view of the law." *Calvin Klein Cosmetics Corp. v. Lenox Labs.*, 815 F.2d 500, 504 (8th Cir. 1987). Rather than first considering whether Balducci's ad parody was likely to confuse the public and then considering the scope of First Amendment protection, the district court conflated the two. The court essentially skewed its likelihood of confusion analysis in an attempt to give "special sensitivity" to the First Amendment, holding Anheuser Busch to a higher standard than required in a "classic trademark infringement case." *Balducci*, 814 F. Supp. at 796-97. Since we cannot separate the court's factual finding of

confusion from its legal conclusions, we conduct a de novo review of the well-developed record before us. *Calvin Klein*, 815 F.2d at 504.

Many courts have applied, we believe correctly, an expansive interpretation of likelihood of confusion, extending "protection against use of [plaintiff's] mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner." McCarthy, *Trademarks and Unfair Competition* § 24.03, at 24-13 (3d ed. 1992); *Novak*, 836 F.2d at 398; *Nike, Inc. v. "Just Did It" Enters.*, 6 F.3d 1225, 1228 (7th Cir. 1993); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir. 1979); *Jordache Enters., Inc. v. Levi Strauss*, No. 91 CIV. 3704, 1994 WL 4430, at *6 (S.D.N.Y. Jan. 3, 1994). This approach seems consistent with congressional intent, as evidenced by the express inclusion during the 1989 revision of the Lanham Act of protection against confusion as to "origin, sponsorship, or approval." 15 U.S.C. § 1125(a). This court enumerated several factors pertinent to the finding of likelihood of confusion in *SquirtCo*, 628 F.2d at 1091: (1) the strength of the trademark; (2) the similarity between the plaintiff's and defendant's marks; (3) the competitive proximity of the parties' products'; (4) the alleged infringer's intent to confuse the public; (5) evidence of any actual confusion; and (6) the degree of care reasonably expected of the plaintiff's potential customers. These factors are not a distinct test, but represent the sort of considerations which a court should consider in determining whether likelihood of confusion exists. We briefly consider the application of these factors to this case.

Appendix I

Anheuser-Busch possessed several very strong[3] trademarks that Balducci displayed virtually unaltered in the ad parody. Thus, the first two *SquirtCo* factors weigh heavily in favor of Anheuser-Busch. The third factor, competitive proximity, is less one-sided. Balducci does not directly compete with Anheuser-Busch. Confusion, however, may exist in the absence of direct competition. *SquirtCo*, 628 F.2d at 1091. Moreover, Balducci published the parody on the back cover of a magazine — a location frequently devoted to real ads, even in *Snicker*. This location threatens to confuse consumers accustomed to seeing advertisements on the back cover of magazines.

Our analysis of Balducci's intent relies, of necessity, on circumstantial evidence. According to Richard Balducci, he sought to comment on certain social conditions through parody. "An intent to parody is not an intent to confuse." *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir. 1987). Other factors, however, suggest Balducci had, if not an intent to confuse, at least an indifference to the possibility that some consumers might be misled by the parody. For example, no significant steps were taken to remind readers that they were viewing a parody and not an advertisement sponsored or approved by Anheuser-Busch. Balducci carefully designed the fictitious ad to appear as authentic as possible. Several of Anheuser-Busch's marks were used with little or no alteration. The disclaimer is virtually undetectable. Balducci even included a ® symbol after the words Michelob Oily. These facts suggest that Balducci sought to do far more than just "conjure up" an image of Anheuser-Busch in the minds of its readers. *Cf. Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 758 (9th Cir.

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3. Balducci concedes that Anheuser-Busch's trademarks, developed through sizeable and prolonged advertising, are quite strong.

1978), *cert. denied*, 439 U.S. 1132 (1979) (in copyright context, "fair use" doctrine does not entitle parodist to copy everything needed to create the "best parody;" rather, the parodist may copy only that portion of the protected work necessary to "conjure up the original"). These factors limit the degree to which Balducci's intent to parody weighs in favor of a finding of no likelihood of confusion.

Balducci's desired message, or humor, presumably hinged on consumers' ultimate realization that although this "advertisement" was based on the painstaking duplication of Anheuser-Busch's marks, it was in fact a parody or editorial parody. We have significant doubt as to whether many consumers would develop this understanding of Balducci's true purpose. There is a distinct possibility, accepted by the district court, "that a superficial observer might believe that the ad parody was approved by Anheuser-Busch." *Balducci*, 814 F. Supp. at 797. The back cover of magazines is frequently used for advertisements and cannot be expected to command the thoughtful deliberation of all or even most of the viewing public. The district court down-played this fact, observing that "[o]nce again . . . the First Amendment concerns at issue in this litigation require a closer examination of Plaintiff's claims." *Id.* When objectively viewed, the fourth and sixth *SquirtCo* factors (i.e., intent and degree of care) may not fully support Anheuser-Busch, but they are consistent with a finding that the parody presented a significant likelihood of confusing consumers.

The survey evidence, whether considered as direct or indirect evidence of actual confusion, tilts the analysis in favor of Anheuser-Busch. Over half of those surveyed thought Balducci needed Anheuser-Busch's approval to publish the ad. Many of these presumably felt that such approval had in fact been

obtained. Six percent thought that the parody was an actual Anheuser-Busch advertisement. Other courts have accepted similar survey findings. *See Novak*, 836 F.2d at 400; *Nat'l Football League Props., Inc. v. New Jersey Giants, Inc.*, 687 F. Supp. 507, 517 (D.N.J. 1986) (citing decisions relying on surveys showing 8.5% to 15% confusion); *Schieffelin & Co. v. Jack Company of Boca*, 1994 WL 144884 at *15 (S.D.N.Y. Mar. 31, 1994). In *Novak*, for example, "approximately ten percent of all the persons surveyed thought that Mutual 'goes along' with Novak's product." 836 F.2d at 400. The court found this persuasive despite the existence of "some ambiguity" in the survey question. *Id.* Thus, we are left with evidence, obtained by means of a valid consumer survey, that strongly indicates actual consumer confusion.

Our review of the record before the district court, including the Balducci ad and the survey evidence,[4] convinces us that the court erred in finding no likelihood of confusion. The court reached its finding only after it mistakenly weighted its analysis in favor of Balducci in an effort to satisfy the limits set by the First Amendment. We believe the better course would have been to analyze the likelihood of confusion first and then proceed to an analysis of the First Amendment issues.

Having determined that a likelihood of confusion exists, we must next consider Balducci's argument that the First Amendment protects it from liability for its ad parody. Parody

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4. We have considered Balducci's argument attacking the survey's findings because of alleged shortcomings in its methodology; however, like the district court, we have "no quarrel with the [survey's] design or execution." *Balducci*, 814 F. Supp. at 797; *cf. ConAgra Inc. v. Geo. A. Hormel & Co.*, 784 F. Supp. 700, 734 (D. Neb. 1992), *aff'd*, 990 F.2d 368 (8th Cir. 1993).

does implicate the First Amendment's protection of artistic expression. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Group*, 886 F.2d 490, 493 (2d Cir. 1989). Based on this, Balducci argues it has an absolute First Amendment right to use plaintiff's trademarks in its parody. No such absolute right exists. *See id.* at 493-94 ("Trademark protection is not lost simply because the allegedly infringing use is in connection with a work of artistic expression.") (quoting *Silverman v. CBS Inc.*, 870 F.2d 40, 49 (2d Cir.), *cert. denied*, 492 U.S. 907 (1989)); *Nike*, 6 F.3d at 1228; *Dallas Cowboys Cheerleaders*, 604 F.2d at 206 (defendant liable for using cheerleader uniform in X-rated film); *Pillsbury Co. v. Milky Way Productions, Inc.*, 215 U.S.P.Q. 124, 135 (N.D. Ga. 1981) (defendant liable for dilution for publishing cartoon of "Poppin' Fresh" and "Poppie Fresh" doughpersons engaging in sexual intercourse and fellatio); *Edgar Rice Burroughs, Inc. v. Manns Theaters*, 195 U.S.P.Q. 159, 162 (C.D. Cal. 1976) (defendant liable for using TARZAN mark in X-rated film).

In arguing against the reasoning of these many cases, Balducci relies on this court's opinion in *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397 (8th Cir. 1987), *cert. denied*, 488 U.S. 933 (1988). In *Novak*, a panel of this court upheld an injunction against Novak's continued sale of anti-war T-shirts, coffee mugs and other products containing words such as "Mutants of Omaha" and bearing symbols with a likeness to plaintiff's Indian head logo. *Id.* at 398. In dicta, the court stated that the injunction "in no way infringes upon the constitutional protection the First Amendment would provide were Novak to present an editorial parody in a book, magazine, or film." *Id.* at 402. This language does not support absolute protection for editorial parody, but merely reflects the fact that a parody contained in an obvious editorial context is less likely to confuse, and thus more deserving of protection than those displayed on a product. *See Nike*, 6 F.3d

at 1228; *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 625 F. Supp. 48, 55 (D.N.M. 1985), *aff'd*, 828 F.2d 1482 (10th Cir. 1987); 3 J.T. McCarthy § 31:38 at 31-213. A parody creating a likelihood of confusion may be subject to a trademark infringement action. *Cliffs Notes*, 886 F.2d at 494 (confusing parodies are "vulnerable under trademark law"); *L.L. Bean, Inc. v. Drake Publishers Inc.*, 811 F.2d 26, 32 n.3 (1st Cir.) (confusing parodies "implicate[] the legitimate commercial and consumer protection objectives of trademark law"), *cert. denied and appeal dismissed*, 483 U.S. 1013 (1987).

There is no simple, mechanical rule by which courts can determine when a potentially confusing parody falls within the First Amendment's protective reach. Thus, "in deciding the reach of the Lanham Act in any case where an expressive work is alleged to infringe a trademark, it is appropriate to weigh the public interest in free expression against the public interest in avoiding consumer confusion." *Cliffs Notes*, 886 F.2d at 494. "This approach takes into account the ultimate test in trademark law, namely, the likelihood of confusion as to the source of the goods in question." *Id.* at 495 (internal quotations omitted).

In applying this balancing test, we begin with the recognition that parody serves as a "humorous form of social commentary and literary criticism that dates back as far as Greek antiquity." *Bean*, 811 F.2d at 28. Balducci purports to comment on several matters, including environmental pollution and Anheuser-Busch's brand proliferation. The First Amendment's protection of social commentary generally, and parody in particular, is certainly implicated in this case. "The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line." *Campbell v. Acuff-Rose Music Inc.*, 114 S. Ct. 1164, 1172 (1994). "The

benefit to the one making the parody . . . arises from the humorous association, not from public confusion as to the source of the marks." *Jordache Enters.*, 828 F.2d at 1486. Thus, we must weigh the public interest in protecting Balducci's expression against the public interest in avoiding consumer confusion.

Applying this standard, we are convinced that the First Amendment places no bar to the application of the Lanham Act in this case. As we have discussed, Balducci's ad parody was likely to confuse consumers as to its origin, sponsorship or approval. This confusion might have to be tolerated if even plausibly necessary to achieve the desired commentary — a question we need not decide. In this case, the confusion is wholly unnecessary to Balducci's stated purpose. By using an obvious disclaimer, positioning the parody in a less-confusing location, altering the protected marks in a meaningful way, or doing some collection of the above, Balducci could have conveyed its message with substantially less risk of consumer confusion. Other courts have upheld the use of obvious variations of protected marks. *See, e.g.*, *Cliffs Notes*, 886 F.2d at 496 ("Spy Notes" held not to infringe "Cliffs Notes" mark); *Jordache Enters.*, 828 F.2d at 1485-88 (comparing "Jordache" and "Lardashe" jeans). The First Amendment does not excuse Balducci's failure to do so. As the Second Circuit observed:

> A parody must convey two simultaneous — and contradictory — messages: that it is the original, but also that it is *not* the original and is instead a parody. To the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused.

Cliffs Notes, 886 F.2d at 494; *see Nike*, 6 F.3d at 1228. Balducci's ad, developed through the nearly unaltered appropriation of Anheuser-Busch's marks, conveys that it is the original, but the ad founders on its failure to convey that it is not the original. Thus, it is vulnerable under trademark law since the customer is likely to be confused, as the record before the district court demonstrated.

We believe it is important to acknowledge the limits of our holding today. We do not hold that Balducci's extensive borrowing of Anheuser-Busch's trademarks amounts to a per se trademark violation. Unlike copyright and patent owners, trademark owners have no right in gross. *See McCarthy* § 24.03[4][d]; *Jordache*, 625 F. Supp. at 56 (trademark owner "does not own in gross the penumbral customer awareness of its name, nor the fallout from its advertising"). By taking steps to insure that viewers adequately understood this was an unauthorized editorial, Balducci might have avoided or at least sharply limited any confusion, and thereby escaped from liability. Absent such measures, Balducci's ad parody was likely to confuse consumers and fall subject to federal trademark law.

II.

Although our trademark infringement holding dictates our disposition of this case, we must discuss Anheuser-Busch's dilution claim because the validity of this claim may affect the relief available to it.[5]

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5. For example, the Missouri anti-dilution statute requires automatic imposition of an injunction. *See Gilbert/Robinson, Inc. v. Carrie Beverage — Missouri Inc.*, 758 F. Supp. 512, 528 (E.D. Mo. 1991), *aff'd*, 989 F.2d 985 (8th Cir.), and *cert. denied*, 114 S. Ct. 338 (1993).

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Missouri's anti-dilution statute provides that "[l]ikelihood of injury to business reputation or dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief." Mo. Rev. Stat. § 417.061. This statute provides greater protection than the Lanham Act by expressly permitting claims "notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." *Id.* Dilution comes in two distinct forms. The most common form prohibits uses which, although not likely to confuse consumers as to source, tend to weaken the unique association of the mark with the trademark owner. *See, e.g., Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 844 (D. Mass. 1964) (enjoining Boston restaurant's use of New York jeweler's "Tiffany" mark). More applicable to this case, however, is the second form of dilution — commonly referred to as "tarnishment." Courts have frequently enjoined the "tarnishment" of a mark through association with unsavory goods, persons or services. *See, e.g., Chemical Corp. of America v. Anheuser-Busch, Inc.*, 306 F.2d 433, 436-38 (5th Cir. 1962) (enjoining use of "Where there's life . . . there's bugs!" slogan), *cert. denied*, 372 U.S. 965 (1963); *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1039 (N.D. Ga. 1986) (tarnishment "occurs when a defendant uses the same or similar marks in a way that creates an undesirable, unwholesome, or unsavory mental association with the plaintiff's mark"); *Pillsbury*, 215 U.S.P.Q. at 135 (enjoining cartoon portrayal of trade characters engaged in sexual intercourse and fellatio published in adult magazine); *American Express Co. v. Vibra Approved Laboratories Corp.*, 10 U.S.P.Q.2d 2006, 2013 (S.D.N.Y. 1989) (enjoining defendant's use of plaintiff's trademark in distribution of condom credit card); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1190-91 (E.D.N.Y. 1972) (enjoining "Enjoy Cocaine" posters because customers might be "turned off" by so-called "spoof").

In this case, the majority of those surveyed construed the ad parody as suggesting that Michelob beer contains oil. This relationship obviously tarnishes the marks' carefully-developed images. Moreover, the tarnishment results from a negative, although vague, statement about the quality of the product represented by the trademark. The plain language of the Missouri anti-dilution statute reaches this situation.

Balducci argues that the application of the anti-dilution statute to enjoin the ad parody's publication would violate the First Amendment. Balducci contends that the First Amendment prevents any construction of an anti-dilution statute that would enjoin perceived tarnishment in a non-commercial context. The only case we discovered which supports such a sweeping statement is *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (lst Cir.), *cert. denied and appeal dismissed*, 483 U.S. 1013 (1987). In *Bean*, the First Circuit considered a parody of the plaintiff's mail-order catalog. The parody, contained in an adult erotic magazine, consisted of a two-page article entitled "L.L. Bea*m*'s Back-to-School-Sex-Catalog." (Emphasis added.) The article portrayed nude models using fictitious products in sexually explicit manners and contained facsimiles of Bean's trademarks. The court concluded that applying the Maine anti-dilution statute would be unconstitutional because the First Amendment protects the "use of a trademark in a noncommercial setting such as an editorial or artistic context." *Id.* at 334.

We reject Balducci's First Amendment argument. We begin by observing that Balducci's analysis conflicts with the holding of several cases. *See, e.g., Pillsbury*, 215 U.S.P.Q. at 135; *Coca-Cola Co.*, 346 F. Supp. at 1191-93. Moreover, the facts in *Bean* differ significantly from the facts in this appeal. First, the catalog parody made no derogatory comment about Bean's products'

quality. Balducci's parody, as demonstrated by the survey, suggested that Anheuser-Busch products were contaminated with oil. This unsupported attack was not even remotely necessary to Balducci's goals of commenting on the Gasconade oil spill and water pollution generally. Nor does Balducci's asserted purpose of commenting on Anheuser-Busch's brand proliferation give it carte blanche to attack Anheuser-Busch products. Second, and more importantly, the catalog parody was located inside a 100-page magazine. *Bean*, 811 F.2d at 32. Readers presumably discovered it only after perusing the magazine or reviewing the table of contents, which labelled the article as "humor" and "parody." In contrast, Balducci placed its parody on the back cover with only a tiny disclosure. Thus, the casual viewer might fail to appreciate its editorial purpose. Even the *Bean* court felt it significant that "neither the [catalog parody] nor appellant's trademark was featured on the front or back cover of the magazine." *Id.* For these reasons, as well as those contained in our discussion of Balducci's First Amendment arguments in the trademark context, we conclude the district court erred in dismissing Anheuser-Busch's dilution claims.

The final question presented in this case involves the proper remedy. Anheuser-Busch seeks one dollar in damages and an injunction against further infringement. The requested nominal damages seem proper given the survey evidence suggesting actual confusion. *See Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 525 (10th Cir. 1987) (awarding damages based on survey evidence); *PPX Enters., Inc. v. Audiofidelity Enters., Inc.*, 818 F.2d 266, 271 (2d Cir. 1987) (same).

Injunctive relief is also appropriate and, under the Missouri anti-dilution statute, required. The injunction sought by Anheuser-Busch, however, is quite broad. It would permanently

enjoin Balducci from publishing any "false description" of Anheuser-Busch products or "publishing [the protected marks in] . . . any documents or material." This relief seems to encompass a great number of uses which might amount to no infringement at all. Courts should tread cautiously when considering injunctive relief against future publication. The proponent of prior restraint " 'carries a heavy burden of showing justification for the imposition of such a restraint.' " *New York Times Co. v. United States*, 403 U.S. 713, 714 (1971) (quoting *Bantum Books, Inc. v. Sullivan*, 372 U.S. 58, 70 (1963)). The parties have not developed a satisfactory record or fully briefed this issue. Thus, we decline to delineate the precise limits which the First Amendment might place on the scope of the injunctive relief available to Anheuser-Busch.

We reverse the district court's dismissal of Anheuser-Busch's trademark infringement (15 U.S.C. § 1114(1)) and dilution (Mo. Rev. Stat. § 417.061) claims and instruct the district court to enter judgment for Anheuser-Busch on these claims and award appropriate relief.

A true copy.

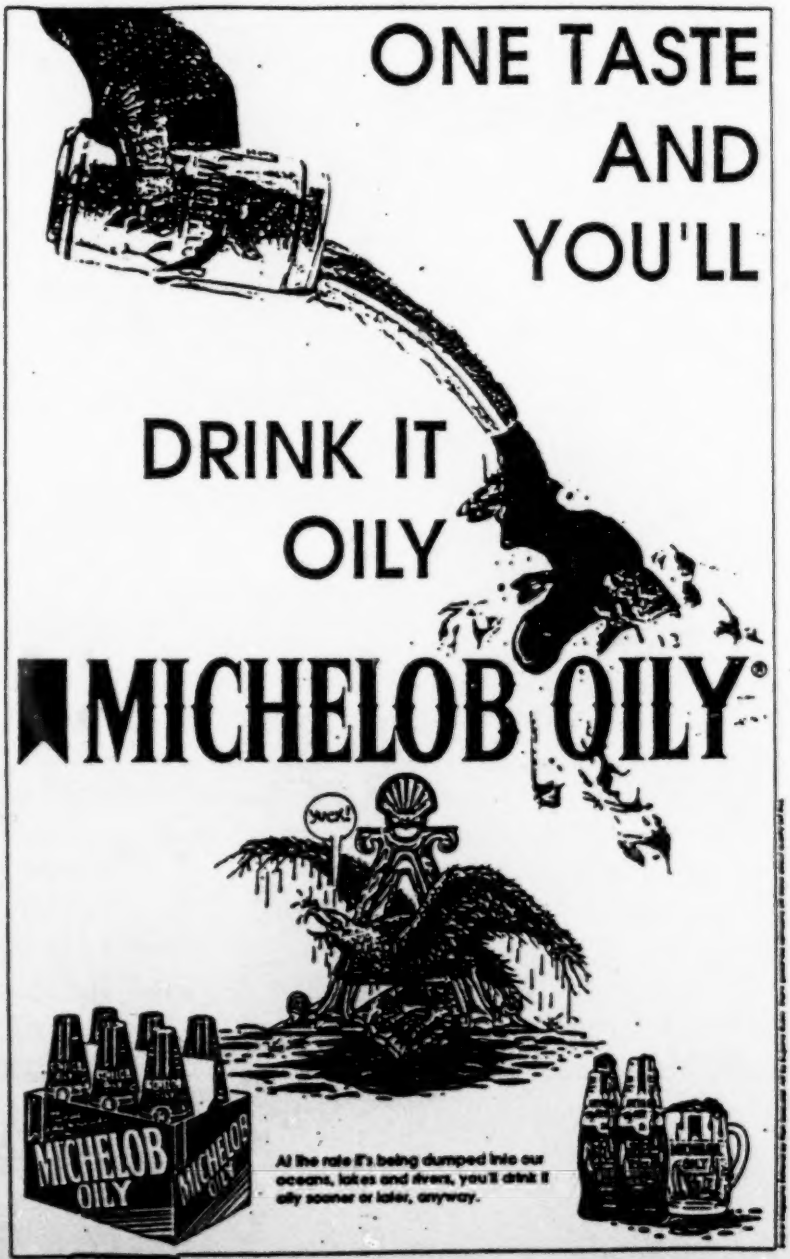
Attest:

CLERK, U. S. COURT OF APPEALS, EIGHTH CIRCUIT.

Appendix I

APPENDIX A

Reduced-size reproduction. Original is on 11-1/4 x 17-1/2 inch page.



Appendix I

APPENDIX B

Full-size reproduction of lower-right corner of Appendix A.

APPENDIX II — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MISSOURI, EASTERN DIVISION FILED FEBRUARY 22, 1993

Cause No. 89-0872-C(7)

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ANHEUSER-BUSCH, INC.,

Plaintiff,

v.

BALDUCCI PUBLICATIONS, et al.,

Defendants.

MEMORANDUM AND ORDER

Plaintiff Anheuser-Busch, Inc. asserts five causes of action in this matter: (1) trademark infringement under Section 32(1) of the Lanham Act, 15 U.S.C.§ 1114(1): (2) unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (3) infringement of trademarks registered in Missouri under Mo. Rev. Stat. § 417.056; (4) common law unfair competition; and (5) dilution of Plaintiff's marks and injury to its business reputation under Mo. Rev. Stat. § 417.061. Plaintiff seeks one dollar in nominal damages and injunctive relief. The Court heard evidence on this matter June 25, 26, and 29, 1992. Also pending before the Court is Plaintiff's Motion For Leave to Supplement the Record.

Appendix II

I. Motion for Leave to Supplement the Record

Plaintiff seeks leave to supplement the record to add Supplemental Exhibits 1, 2, 3, and 4. These Exhibits are the current issue of *Snicker* magazine, the November 1992 edition of the *St. Louis Journalism Review*, and excerpts from both publications. The excerpted portions state that *Snicker* magazine is now distributed nationwide. Defendants do not oppose Plaintiff's Motion. The Court will grant Plaintiff's Motion to Supplement the Record.

II. Findings of Fact

1. Plaintiff Anheuser-Busch, Inc. is a Missouri corporation that brews a wide variety of popular beers. Among those beers is the Michelob family of beers which includes Michelob, Michelob Dry, Michelob Light and Michelob Classic Dark.

2. Plaintiff's Missouri brewery uses water from the Gasconade River to produce its beers. There was an oil spill in the Gasconade River in 1988. Plaintiff's beers were not contaminated as a result of the oil spill.

3. Plaintiff owns various federally registered trademarks which it uses to market its beers. The following trademarks are at issue in this litigation: (1) Michelob: (2) Michelob Dry; (3) A & Eagle Design; (4) Bottle and Label Configuration; (5) Bottle Configuration; (6) Vertical Stripe Design; (7) the phrase "ONE TASTE AND YOU'LL DRINK IT DRY;" and (8) Vertical Stripe and A & Eagle Design.

4. In addition, the A & Eagle Design and the term "Michelob" are registered Missouri trademarks.

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5. These marks are all famous and are generally known to refer to Anheuser-Busch and to beer brewed by Anheuser-Busch.

6. Plaintiff uses its marks to advertise its products. Plaintiff has also used its marks in a series of advertisements concerning the environment.

7. Defendant Balducci Publications is a Missouri business entity owned by Defendants Richard Balducci and Kathleen Balducci. Defendants publish *Snicker* magazine, a humor magazine.

8. *Snicker* magazine is distributed throughout the St. Louis area and, as of the end of 1992, nationwide.

9. Issue No. 5 1/2 of *Snicker* was published in April 1989. On the back cover of Issue 5 1/2 Defendants published a mock advertisement for a fictional product called Michelob Oily. This mock advertisement is the subject matter of this lawsuit.

10. The mock advertisement contains the phrase "One Taste and You'll Drink it Oily" in bold type and the phrase "Michelob Oily" followed by the symbol ®. At the bottom of the page is the phrase "At the rate it's being dumped into our oceans, lakes and rivers, you'll drink it oily sooner or later, anyway." At the side of the page, in small type, are the words: "Snicker Magazine Editorial by Rich Balducci. Art by Eugene Ruble. Thank goodness someone still cares about quality (of life)."

12. Plaintiff has used the slogan "Somebody still cares about quality" and the trademark "ONE TASTE AND YOU'LL DRINK IT DRY" to advertise and sell its products.

11. The mock advertisement depicts a human hand holding a

crumpled Michelob Dry can. The thumb of the hand partially obscures the word "Dry." Oil and an oily fish spill from a spigot inserted in the can. The can is a photograph of an actual Michelob Dry can.

13. At the center of the page, is a drawing of an oil-drenched eagle exclaiming "Yuck!" The eagle is standing inside of the letter "A." This design strongly resembles, but is not identical to, Plaintiff's A & Eagle logo.

14. A six pack of beer is depicted at the bottom left-hand corner of the page. In the bottom right-hand corner of the page, there is a representation of two beer bottles and a mug of beer. "Michelob Oily" is written on all of the bottles and on the mug. The bottles are in the trademarked configuration of Michelob Dry bottles.

15. The mock advertisement published on the back page of Issue 5 and described in Findings of Fact 9 – 14 is an ad parody.

16. Defendants produced the ad parody to express an opinion regarding the dangers of pollution in the nations waterways and also to comment on Plaintiff's "brand proliferation."

17. Defendant Richard Balducci expressed negative opinions regarding Plaintiff's corporate officers and its employees.

18. The artwork on the back page of Issue 5 1/2 was prepared, in part, by Eugene Ruble at the direction of Richard Balducci.

19. Mr. Ruble used Anheuser-Busch clip-art to prepare the piece. Clip-art is prepared by Anheuser-Busch to ensure accurate and consistent representation of Plaintiff's marks. Specifically, Mr. Ruble used clip art to represent the six pack of Michelob Oily, the

two bottles of Michelob Oily and the mug, and the words "Michelob Oily."

20. In addition, Mr. Ruble used the Anheuser-Busch A & Eagle design as the basis for his rendition of an "A" and an eagle in the ad parody.

21. In sum, Defendants clearly used Plaintiff's marks in their ad parody, they used some of those marks without alteration, and they did so without Plaintiff's permission.

22. Defendants' use of Plaintiff's marks did not create a likelihood of confusion in the marketplace.[1]

23. Any Findings of Fact not specifically stated in these Findings of Fact but set forth in the Conclusions of Law is incorporated herein.

III. Conclusions of Law

A. Jurisdiction

The case presents claims arising under the trademark laws of the United States. The Court has jurisdiction over these claims pursuant to 15 U.S.C. § 1121 and 28 U.S.C. § 1338. The Court has supplemental jurisdiction over Plaintiff's state law claims. 28 U.S.C. § 1367.

B. Trademark Infringement

Plaintiff maintains that Defendants' unauthorized use of

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1. The reasoning underlying this Finding of Fact is discussed below.

Appendix II

Plaintiff's marks constitutes trademark infringement in violation of Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1).[2] Whether an allegedly infringing use of a protected mark violates the Act depends upon whether, under all the circumstances, there is a likelihood of confusion as to source, sponsorship or affiliation. *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir.

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2. The Act provides in pertinent part:

> Any person who shall, without the consent of the registrant —
>
> > (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with such use is likely to cause confusion, or to cause mistake or to deceive; or
> >
> > (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1)(a), (b).

1980); J. Thomas McCarthy, *Trademarks and Unfair Competition,* 31:38 (1984). In *SquirtCo,* the court identified six factors relevant to a determination of whether the allegedly infringing use of another's trademark creates a likelihood of confusion: (1) the strength of the mark; (2) the similarity between the trademark and the defendant's mark; (3) the competitive proximity of the products on which the respective marks are placed; (4) the intent of the alleged infringer to pass off his goods as those of the trademark holder; (5) the incidents of actual confusion; and (6) the degree of care likely to be exercised by the potential customers of the trademark holder. *Id.* at 1091.

The Eighth Circuit applied the likelihood of confusion factors in *Mutual of Omaha Ins., Co. v. Novak,* 836 F.2d 397, 399 (8th Cir. 1987) *cert. denied* 488 U.S. 933 (1988). In that case, the defendant, Michael Novak, was a designer who manufactured and distributed T-shirts and coffee mugs bearing the slogan "Mutant of Omaha." Defendant's merchandise also depicted a side-view of a feather-bonneted, emaciated human head. Defendant's design was intended to raise awareness of the threat of nuclear war. Mutual of Omaha contended that defendant's use of these designs infringed Mutual of Omaha's trademark in its Indian head logo and in the phrase "Mutual of Omaha." The court concurred.

However, in upholding a permanent injunction entered by the district court, the Eighth Circuit noted that the injunction "in no way infringes upon the constitutional protection the First Amendment would provide were Novak to present an editorial parody in a book, magazine, or film." *Id.* at 402. The court further stated that Novak was "prohibited from using the design only in the specific commercial ways mentioned in the injunction." *Id.* at 403 n.8. On its face, this language would seem to support

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Defendants' argument that their use of Plaintiff's marks in an ad parody is absolutely protected under the First Amendment to the United States Constitution. However, in *Mutual of Omaha,* the First Amendment issue was not before the court. Thus, this Court also consults the reasoning of trademark cases wherein the First Amendment defense is squarely presented.

It is well-settled that parody is a form of expression protected by the First Amendment. *Hustler Magazine, Inc. v. Falwell,* 485 U.S. 46 (1988); *Cliffs Notes, Inc. v. Bantam Doubleday Dell Pub. Group. Inc.,* 886 F.2d 490, 493 (2d Cir. 1989). Trademark parody is a subspecies of the genre that pokes fun at or criticizes a business entity by spoofing the entity's trademarks. Trademark parody is only effective if the mark is well-known and the parody is enough like the original to invoke an association. *Cliffs Notes,* 886 F.2d at 494 ("the keystone of parody is imitation"). Thus, trademark parodies raise a legal tension not unlike that addressed by the fair use doctrine of copyright law: a tension between the legitimate property rights of the trademark owner and the rights of the parodist to free expression.

In resolving this tension, courts have considered the purposes of trademark protection. Trademark is a form of intellectual property. *L.L. Bean. Inc. v. Drake Publisher, Inc.,* 811 F.2d 26, 29 (1st Cir.) *cert. denied* 483 U.S. 1013 (1987). By registering a trademark,

> [t]he owner of the mark acquires the right to prevent the goods to which the mark is applied from being confused with those of others and to prevent his own trade from being diverted to competitors through their use of misleading marks.

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Power Test Petroleum Distributor, Inc. v. Calcu Gas, Inc., 754 F.2d 91, 97 (2d Cir. 1985) (quoting *Industrial Rayon Corp. v. Dutchess Underwear Corp.*, 92 F.2d 33, 35 (2d Cir. 1937), *cert. denied*, 303 U.S. 640 (1938)). The scope of the trademark owner's property right is determined by the purposes of trademark law: to eliminate consumer confusion and unfair competition in the marketplace. *L.L. Bean*, 811 F.2d at 29. *See also Jordache Enterprises Inc . v . Hogg Wyld Ltd .*, 828 F.2d 1482, 1486 (10th Cir. 1987) (trademark protects against confusion as to the source of a mark; "which is not the same thing as a right not to be made fun of") (quoting 2 J . *Thomas McCarthy, Trademarks and Unfair Competition*, 31:38 at 670 (2d ed. 1984)).

In *L.L. Bean*, the First Circuit distinguished between allegedly infringing uses of a registered trademark for commercial purposes and trademark parody. In *L.L. Bean*, plaintiff sought to enjoin the publication of the October 1984 issue of *High Society* magazine because the magazine continued a two page parody entitled "L.L. Beam's Back-To-School-Sex-Catalog." The parody incorporated a facsimile of the L.L. Bean trademark in a mock advertisement for sex-related products. The district court granted summary judgment for plaintiff on its state law anti-dilution claim[3] and enjoined further publication. The First Circuit held that the injunction offended the First Amendment. The court considered the scope of a trademark owner's property rights and determined that the trademark owner's rights extend only to unauthorized commercial uses of a

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3. Plaintiff also brought trademark infringement, unfair competition and deceptive trade practices claims. Likelihood of confusion is an element of all of these claims. Because likelihood of confusion is a question of fact, the court denied summary judgment on those claims. *L.L. Bean*, 811 F.2d at 27.

registered mark. *Id.* at 29 (citing *Lucasfilm Ltd. v. High Frontier,* 622 F. Supp. 931, 933-35 (D.D.C. 1985)). The court balanced the limited scope of this property right against the importance of parody and determined that the injunction must fall. *Id.* at 33.

It is important to note that the likelihood of confusion issue was not before the court in *L.L. Bean.* The court acknowledged that a parody which engendered confusion in the marketplace would implicate the legitimate commercial and consumer protection objectives of trademark law. *Id.* at 32 n.3. The difficult task presented by trademark parody cases is to determine when the defendant's use of a registered mark in an editorial context creates a likelihood of confusion in the marketplace and therefore implicates the purposes of the Lanham Act.

The courts that have grappled with this issue have not settled on a uniform approach. The First Circuit, in *L.L. Bean,* recognized that a trademark parody might engender marketplace confusion but did not propose a test for determining when such confusion exists. The Second Circuit has adopted a balancing test. Specifically, the Second Circuit asks whether, in a given instance, the public interest in avoiding consumer confusion outweighs the public interest in free expression. *Cliffs Notes, supra; Rogers v. Grimaldi,* 875 F.2d 994 (2d Cir. 1989). This court sees no reason to abandon the traditional likelihood of confusion test set forth in *SquirtCo,* provided that it is applied with special sensitivity to the purposes of trademark law and the First Amendment rights of the Defendants. *See, e.g., Pillsbury Co. v. Milky Way Productions, Inc.,* 215 U.S.P.Q. (BNA) 124 (N.D. Ga. 1981) (applying likelihood of confusion factors to parody of Poppin' Fresh doughboy in *Screw* magazine).

The first two factors of the likelihood of confusion test are

easily addressed. The parties agree that Plaintiff's marks are strong. There is also a great similarity between Plaintiff's marks and Defendants' rendition of those marks in its ad parody. However, Defendant's humor magazine and Plaintiff's beers are not in competitive proximity. *See Pillsbury,* 215 U.S.P.Q. (BNA) at 133-34 (food products and pornographic magazines "not even remotely similar"). Plaintiff attempts to mitigate this obvious fact by noting that Defendant's parody is of a beer advertisement and Plaintiff uses its marks in beer advertisements. In addition, Plaintiff notes that it has used its marks in a series of advertisements concerning the environment. This is unpersuasive. Plaintiff has identified a superficial similarity of uses. This does not amount to a plausible concern that the products at issue in this litigation are competing for consumer dollars or attention in the marketplace. *See Mutual of Omaha,* 836 F.2d at 399, 402-03 n.8 (distinguishing between infringing use of mark on similar though not directly competitive products and protected use in noncommercial pamphlets); J. Thomas McCarthy, *Trademarks and Unfair Competition,* 31.37 (2d ed. Supp. 1990) (First Amendment protection greatest when parody appears in magazine because magazines are "a traditional medium for conveying information").

With regard to the intent of the alleged infringer, the Court notes that Defendant Richard Balducci testified that his intent in producing the ad parody was to comment on the pollution in our water supply, particularly as a result of an oil spill in the Gasconade River, and to spoof the proliferation of Plaintiff's brands of beer. Plaintiff suggests that Defendants were motivated by an intent to injure Plaintiff. In support of this contention, Plaintiff notes that Mr. Balducci criticized the chairman of Anheuser-Busch for failing to use his wealth to benefit the St. Louis community. Mr. Balducci also directed negative remarks about the Anheuser-Busch employees to Ms. Serrano, Anheuser-

Busch corporate counsel. However, Mr. Balducci's opinions about Plaintiff, its chairman and its employees are not relevant here. The relevant intent is whether Defendants intended to pass their product off as that of Plaintiff. *See SquirtCo,* 628 F.2d at 1091. The record contains no suggestion, and Plaintiff does not contend, that Defendants intended to pass off *Snicker* magazine as an Anheuser-Busch product or even that they intended to pass off their ad parody as an actual Anheuser-Busch advertisement.

Defendants rely heavily on a survey designed by Jacob Jacoby, Ph.D. and conducted under the supervision of Leon B. Kaplan, Ph.D. to show a high incidence of actual confusion regarding sponsorship or authorization of the ad parody. The survey was conducted in shopping malls in the St. Louis area. The 301 respondents were beer drinkers or purchasers who claimed to read or look through magazines or newspapers at least once a month. Two hundred participants were shown the ad parody. The rest were shown a regular Michelob Dry ad. The survey indicated that 58% of the participants exposed to the ad parody believed that "the people who were responsible for creating [the ad parody] did have to get permission to use the Michelob name." Plaintiff's Exhibit 3, Jacoby Report at 21. Similarly, 56% of the participants believed that the people who created the ad parody had to get permission to use the A & Eagle logo and other pictures. Plaintiff's Exhibit 3, Jacoby Report at 22. In addition, when asked what came to mind when they saw the back page of *Snicker,* 6% of the participants responded with answers that were classified[4] as indicating that they thought the piece was an Anheuser-Busch advertisement. Plaintiff's Exhibit 3, Jacoby Study, at 13.

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4. Answers to open-ended questions were classified, or coded, by the staff at Princeton Research & Data Consulting Center, Inc. (PRCC) under the supervision of Leon B. Kaplan. PRCC staff members read the answers and developed a set of response categories. These categories were approved by Dr. Jacoby.

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Plaintiff suggests that these results mandate a finding that the ad parody creates a likelihood of confusion with Plaintiff's marks. The Court has no quarrel with the design or execution of the Jacoby study. However, in the context of an editorial presented in a humor magazine, these statistics are not convincing evidence that Defendants' ad parody has created a likelihood of confusion in the marketplace. First, the Court notes that half of the participants who saw the *Snicker* ad parody responded affirmatively when asked "As you look at this page, is there anything about it that says or suggests to you that it is an editorial?" Plaintiff's Exhibit 3, Jacoby Study, at App. B, table 15. In addition, when asked what came to mind when they saw the back page of *Snicker,* 37% of the participants responded with answers that were classified as indicating that they thought the piece was satire. Jacoby Study, app. B, table 4. Plaintiff's statistical evidence may well be persuasive in the context of a classic trademark infringement case wherein the plaintiff claims that defendant benefited in the marketplace by virtue of an unauthorized use of plaintiff's marks. However, the Court concludes that, here, where the allegedly infringing use occurs in an editorial context, the evidence fails to establish that Defendants' use of Plaintiff's marks has created actual confusion in the marketplace.

Finally, Plaintiff contends that the degree of care a potential consumer will exercise in assessing the sponsorship of the ad parody is heavily influenced by the fact that the ad parody is on the back cover of *Snicker* magazine where other, legitimate, advertisements appeared in some previous issues. Once again, however, the First Amendment concerns at issue in this litigation require closer examination of Plaintiff's claim. The Court accepts the possibility that a superficial observer might believe that the ad parody was approved by Anheuser-Busch. However, Plaintiff has

failed to establish that a consumer's failure to exercise the care necessary to distinguish between Plaintiff's marks and Defendants' use of those marks will, in and of itself, influence marketplace decisions.[5]

For all of the foregoing reasons, the Court finds that Plaintiff has failed to establish that Defendants' ad parody creates a likelihood of confusion in the marketplace and consequently, Plaintiff has failed to prove its claim of trademark infringement under the Lanham Act. Accordingly, the Court will enter judgment for Defendants on Plaintiff's claim for trademark infringement under section 32(1) of the Lanham Act.

C. Unfair Competition Claims

Plaintiff alleges that Defendants' ad parody also violates Section 43(a) of the Lanham Act.[6] Plaintiff maintains that

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5. The Jacoby study indicates that some people may be less likely to drink or purchase Michelob beer because, as a result of Defendants' ad parody, they believe that it is contaminated with oil. This alleged result stems, however, from the content of Defendants' ad parody and is not the result of a mistaken reliance on an infringing use of Plaintiff's marks. *See e.g. Cliffs Notes,* 886 F.2d at 496-97 (considering whether consumers would believe defendant's parody of Cliffs Notes was actually produced by Cliffs Notes and purchase it in mistaken reliance on those elements of the parody that were similar to Cliffs Notes).

6. Section 43(a) of the Lanham Act provides:

> (a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which —

(Cont'd)

Appendix II

Defendants' unauthorized use of the Anheuser-Busch marks both creates a likelihood of confusion and misrepresents "the nature, characteristics, [or] qualities" of Anheuser-Busch beer. The likelihood of confusion issue has been addressed above. With regard to Plaintiff's allegation that Defendants' ad parody misrepresents the quality of Plaintiff's beers, the Court notes that, by its terms, Section 43(a) of the Lanham Act applies to misrepresentations concerning the nature, characteristics, and qualities of another's goods "in *commercial advertising or promotion.*" 15 U.S.C. § 1125(a)(2) (emphasis added); *WSM, Inc. v. Hilton,* 724 F.2d 1320, 1331 (8th Cir. 1984) (Section 43(a) creates federal remedy for unfair competition in connection with the sale of a product).

Plaintiff contends that Defendants do use Plaintiff's marks to

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(Cont'd)

> (1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a).

sell their product because a portion of the ad parody is shown in connection with an advertisement for back issues of *Snicker* magazine. Plaintiff has provided no support for the proposition that noncommercial speech is converted to commercial speech when a magazine publisher provides some indication of the contents of his publication in order to entice sales. In *New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964), the Supreme Court held that "alleged libellous statements [that] would otherwise be constitutionally protected . . . do not forfeit that protection because they were published in the form of a paid advertisement." The Court reasoned that it would shut off an important avenue for the dissemination of information and ideas if otherwise protected speech lost its protection because it was published in exchange for money. *Id.* A similar rationale applies here. Moreover, although Plaintiff did not introduce any evidence addressing the likelihood of confusion arising from Defendants' use of a small portion of this ad parody in connection with an advertisement for back issues, it stands to reason that if the full page, back cover parody did not engender a likelihood of confusion, the use at issue here does not either.

Because Defendants' ad parody was not in any way connected with the sale of a product and because Plaintiff has failed to establish a likelihood of confusion in the marketplace, the Court will enter judgment for Defendants on Plaintiff's unfair competition claims.

D. State Law Claims based on Infringement and Unfair Competition

Plaintiff contends that Defendants' ad parody infringes its marks in violation of Mo. Rev. Stat. § 417.056 and also constitutes common law unfair competition. The elements of

these state law claims are identical to the elements of claims asserted under the Lanham Act. *Novak*, 836 F.2d at 398 n.1; *WSM, Inc.*, 724 F.2d at 1331 n.6. Therefore, for the reasons set forth above, the court will enter judgment for Defendants on Plaintiff's state law infringement and unfair competition claims.

E. State Law Anti-Dilution Claim

Finally, Plaintiff claims that Defendants' ad parody violates Missouri's anti-dilution statute.[7] State anti-dilution statutes provide a broader protection than the trademark infringement and unfair competition provisions of the Lanham Act. To establish a violation of Mo. Rev. Stat. 417.061, Plaintiff must show that its marks are valid, that the marks are distinctive, and that Defendants' use of the marks created a likelihood of dilution of the distinctive quality of Plaintiff's marks. *Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, Inc.*, 758 F. Supp. 512, 527 (E.D. Mo. 1991). Clearly, Plaintiff's marks are valid and distinctive. Plaintiff maintains that the same evidence that establishes a likelihood of confusion also establishes a likelihood of dilution of Plaintiff's marks. In addition, Plaintiff maintains that Defendants' ad parody tarnishes Plaintiff's reputation

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7. Missouri's anti-dilution law provides:

> Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under sections 417.005 to 417.066, or a mark valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as the source of goods or services.

Mo. Rev. Stat. § 417.061(1).

insofar as it suggests or implies that Plaintiff's beers are contaminated with oil. Plaintiff cites to no authority construing the Missouri statute in the face of a First Amendment defense. The Court's own research indicates that the cases decided under Mo. Rev. Stat. § 417.061 concern claims brought by trademark holders against other market actors.

The First Circuit addressed the purpose of anti-dilution statues as follows:

> A trademark is tarnished when consumer capacity to associate it with the appropriate products or services has been diminished. The threat of tarnishment arises when the goodwill and reputation of a plaintiff's trademark is linked to products which are of shoddy quality or which conjure associations that clash with the associations generated by the owner's lawful use of the mark.

L.L. Bean, 811 F.2d at 31. The First Circuit concluded that "neither the strictures of the first amendment nor the history and theory of anti-dilution law permit a finding of tarnishment based solely on the presence of an unwholesome or negative context in which a trademark is used without authorization." *Id.*

This Court has previously concluded that Defendants' use of Plaintiff's marks does not create a likelihood of confusion in the marketplace. Thus, Plaintiff's attempt to use that test to prove its allegations of dilution must fail. Moreover, because Defendants' use of Plaintiff's marks occurred in an editorial context, there is no threat of tarnishment through association with shoddy or disharmonious products. Accordingly, the Court will enter

judgment for Defendants on Plaintiff's state law anti-dilution claim.

IT IS HEREBY ORDERED that Plaintiff's claims for relief are DISMISSED with prejudice.

Dated this 22nd day of February, 1993.

s/ Jean C. Hamilton
UNITED STATES DISTRICT JUDGE

APPENDIX III — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT DATED AUGUST 24, 1994

United States Court of Appeals
For the Eighth Circuit

No. 93-2196EMSL

Anheuser-Busch, Inc.,

Appellant,

v.

Balducci Publications; Richard Balducci; Kathleen Balducci,

Appellees.

Order Denying Petition for
Rehearing and Suggestion
for Rehearing En Banc

The suggestion for rehearing en banc is denied. Chief Judge Arnold, Judge Wollman and Judge Morris Sheppard Arnold would grant the suggestion for rehearing en banc.

The petition for rehearing by the panel is also denied.

August 24, 1994

Order Entered at the Direction of the Court:
s/ Michael E. Gans
Clerk, U.S. Court of Appeals, Eighth Circuit

APPENDIX IV — CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

U.S. Const. amend. 1

> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press, or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.

15 U.S.C. § 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant —

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the

> sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125(a) of this title shall be limited as follows:

> (A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.
>
> Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic

communication as defined in section 2510(12) of Title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic

communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D) As used in this paragraph —

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

15 U.S.C. § 1125. False designations of origin and false descriptions forbidden

(a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation or origin, false or misleading description of fact, or false or misleading representation of fact, which —

(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her

goods, services, or commercial activities by another person, or

(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

15 U.S.C. § 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered

mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

Mo. Rev. Stat. § 417.061.

§ 417.061. Injunctive relief, when — order for payment to owner of mark — destruction of counterfeit marks. —

1. Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under sections 417.005 to 417.066, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

2. Any owner of a mark registered under section 417.005 to 417.066 may proceed by suit to enjoin the manufacturer, use, display or sale of any counterfeits or imitations thereof and any court of competent jurisdiction may grant injunctions to restrain such manufacture, use, display or sale as may be by the said court deemed just and reasonable, and may require the defendants to pay to such owner all profits derived from or damages suffered by reason of such wrongful manufacture, use, display or sale; and such court may also order that any such counterfeits or imitations in the possession or under the control of any defendant in such case be delivered to an officer of the court, or to the complainant, to be destroyed.

3. The enumeration of any right or remedy herein shall not affect a registrant's right to prosecute under any penal law of this state.

Mo. Rev. Stat. § 417.056.

§ 417.056. Prohibited acts — civil action for damages, when. — Subject to the provisions of section 417.066, any person who shall:

(1) Use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of a mark registered under sections 417.005 to 417.066 in connection

with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive as to the source of origin of such goods or services; or

(2) Reproduce, counterfeit, copy or colorably imitate any such mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in conjunction with the sale or other distribution in this state of such goods or services;

shall be liable to a civil action by the owner of such registered mark for any or all of the remedies provided in section 417.061, except that under subdivision (2) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive.